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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Vladimir Putin of the
Russian Federation (U)

PARTICIPANTS: UNITED STATES

Andrew Card, Assistant to the President and
Chief of Staff
Condoleezza Rice, Assistant to the President
for National Security Affairs
Thomas Graham, Special Assistant to the
President and Senior Director for Russian
Affairs, NSC Staff, (Notetaker)
Peter Afanassenko, Interpreter

RUSSIA

President Vladimir Putin
Sergey Prikhodko, Assistant to the President
for Foreign Policy
Yuri Ushakov, Russian Ambassador to the
United States
Sergey Kislyak, Deputy Minister of Foreign
Affairs
Aleksey Korzhuev, Interpreter

DATE, TIME June 8, 2004, 4:40 - 5:45 p.m., EDT
AND PLACE: Dunbar House, Sea Island, Georgia

The President: Good to see you Vladimir. It's warm here. Did
you have a good trip to Mexico? (U)

President Putin: I made only a brief visit. (U)

The President: Did you see Fox? (U)

President Putin: Yes, he sends his best regards. (U)

The President: Did you go to Los Pinos, to his official
residence? (U)

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President Putin: Yes, it was in a beautiful park. (U)

The President: Thanks for the Iraq resolution. It's good. I appreciate your help. It should pass as we talk. I appreciate your good work on it. (S)

President Putin: I had a word with Lavrov. It will pass. (S)

The President: Thanks a lot. I have a Presidential Checklist for us to approve. (S)

President Putin: Is the bureaucracy giving us assignments again? I know what you are talking about. Kislyak has briefed me, and he didn't object to anything on the Checklist. So it will be fine. How's your mood? (S)

The President: Good. It's been tough. The prison scandal created problems. As your ambassador will tell you, it made people sick, but the public mood will change. It's already starting. People are seeing progress. With the prison scandal and the killing in April and May, a lot of people said there was no hope. But views are changing. We are getting rid of Bremer. He acted like a dictator. He was telling the Iraqis, "Do this! Do that!" It was important that he did that for a time. But the Iraqis got tired. Now there's a new leadership, and they get to decide. It's a good change. (S)

President Putin: You maintained a good position on this issue. The less the President expresses himself on such matters, the better. (S)

The President: You follow me pretty closely. (U)

President Putin: I have high regard for you. You're a friend. We've established good relations. You have many problems sometimes. You need to work, argue, but you're moving ahead. Your policies don't need serious change. (S)

The President: I agree. (U)

President Putin: We don't have partisan guidance on such issues. In general, I'm a democrat. (S)

The President: You got 74 percent of the vote. But the people will decide. The economy is the most important thing. Our economy is good, damn good. (S)

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President Putin: Our economy is doing well, too. We had 8 percent growth last year. (U)

The President: Can you see the change? Condi was just in Moscow. (U)

National Security Advisor Rice: Moscow is fantastic. It's changing fast. (U)

President Putin: We are taking steps to reform the social system. For ten years, the economy was falling apart, the country was falling apart. We were taking populist steps. We couldn't provide for salaries, wages, pensions. We promised certain benefits in laws, but we couldn't provide them. I decided to change this whole system. (S)

The President: The pension system? (U)

President Putin: The system of benefits. I will monetize them. (S)

The President: How are things going in the rural parts of Russia? Is the money spreading? (S)

President Putin: The provinces are changing. (S)

The President: Do they feel better about the future? (S)

President Putin: Not all of them have a bright future, but some have. The monetization of benefits will help the rural areas most. The benefits are received mostly by pensioners, veterans. Earlier only urban pensioners could make use of the benefits. Those in rural areas did not have access to them. (S)

The President: What do you mean by "monetize the benefits"? (S)

President Putin: The veterans had privileges: reduced phone rate, free travel on public transportation, paid vacations. We will now compute the cost and provide that amount of money directly to the veterans. (S)

The President: I see. (U)

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(President Putin: So people will pay in cash. It's about 80 percent of what they receive. It's not large by American standards, of course. ~~(S)~~

The President: Who's this for? (U)

President Putin: For veterans, invalids. Under the previous system, the government provided funds to the clinics, railroads, etc. But much fraud resulted. The government didn't pay the full amount, then the railroads, for one, raised the fares. ~~(S)~~

The President: And that hurts the customer. ~~(S)~~

President Putin: Next year, we are going to reduce the VAT by 2 percent points. ~~(S)~~

The President: And you have a great income tax, a flat tax. ~~(S)~~

President Putin: Thirteen percent. (U)

(The President: We need to do that in America. Our tax code is that thick. You need to pay a specialist to find out what you need to pay. Are you pleased with the success of Hadley and Chernov? ~~(S)~~

National Security Advisor Rice: The Strategic Dialogue Group. ~~(S)~~

President Putin: Igor Ivanov will be taking over. He's a big boss now. He'll be working with Condi. We'll find someone to replace Chernov for Hadley. ~~(S)~~

The President: What about energy cooperation? ~~(S)~~

President Putin: Not bad. (U)

The President: Are U.S. and Russian companies working together? ~~(S)~~

President Putin: They are working together. Now we are looking at gas. But there is a question about the desire of the U.S. side. The United States wants a pipeline from West Siberia to the Barents Sea. ~~(S)~~

(The President: That's not the Solovki project? ~~(S)~~

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(Presidential Assistant Prikhodko: Murmansk. (U)

President Putin: We won't allow private Russian companies or foreign companies to own the pipelines. (S)

The President: Who will build them? (S)

President Putin: A company that is 85 percent owned by the government. Our legislation is unregulated in this area, and we can't supervise this sector effectively. In the South Urals, some Russians sold a gas field through a fictitious U.S. company to China. We can't find out who sold it. The owners were registered off-shore. (S)

The President: The Getty family? (S)

President Putin: We can't find the Russian owners. But the Chinese got it and one week later they call Gazprom to Beijing and they want them to send all the gas to China. Three thousand workers worked at a compressor facility at this field, and they would lose their jobs. (S)

(The President: So there's a cost in jobs. China's the biggest long-term problem for both of us. (S)

President Putin: More for you. (U)

The President: They're not on our border. But we'll all have to deal with China. (S)

President Putin: They will seek leadership. (S)

The President: Right. But they have a big problem: how to feed a billion people. (S)

President Putin: That's not a problem. (U)

The President: There's intense poverty in rural areas. (S)

President Putin: That doesn't matter to them, not to the government. It's like North Korea. I was in North Korea. (S)

The President: When? (U)

(President Putin: Before Okinawa, 4 years ago. I saw how they treated their people. I was in a motorcade. There were a lot of women along the road. Some got pushed into the road.

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(Instead of helping them, the security people just cracked their heads. It's the same in China. (S)

The President: Pretty tough. Vladimir, of all the world leaders, you understand the war with terror. I appreciate your help. We need to fight these bastards. Some people don't see it as war. (S)

President Putin: Spain left a bad impression. The terrorists set a political goal, and they achieved it. (S)

The President: Yeah, and then Prodi says, "Let's give up, we can't win." What should we discuss? We could talk about political reform, the press. Are you still moving on reform? (S)

President Putin: I don't understand your points. The press is one thing; I am another thing. (S)

The President: I don't like a lot of what I read in the press, but it's important. (S)

(President Putin: I don't read a lot of what they write. (S)

The President: We set up a forum where we could discuss the press, how to make it independent. (S)

President Putin: Our press is completely independent. You might have some problems. (S)

The President: Our press is independent as hell. (S)

National Security Advisor Rice: We're talking about the media dialogue, for financing an independent press. You were worried about the concentration of TV, the press, in a few hands. There's now a concern that the independent press is being pushed aside by the government. We had a media dialogue. We need to intensify it. (S)

President Putin: How many TV stations do we have? (S)

Presidential Assistant Prikhodko: Hundreds in the regions. (S)

(President Putin: And they're all independent. On the national level, the biggest is state-owned. The second one is in both state and private hands, but is a joint stock company. The third belongs to Gazprom. But it wants to sell it. (S)

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The President: Are they going to sell it on the stock market?
(S)

President Putin: No, but they are quite active. Gazprom will sell it. They are setting up a bidding process. (S)

The President: I hear you didn't know Barbara was in Moscow. Didn't you hear from our Ambassador? (S)

President Putin: You should have told our Ambassador. He tells us everything. He writes long telegrams. I'm tired of reading them, honestly. But turning to space, since the shuttle disaster we have been carrying all the astronauts and supplies to the international space station. There is an agreement that the United States should buy transportation services from us. But you are not paying, you are making reference to Iran. (S)

The President: How's that? (U)

National Security Advisor Rice: Congress is involved. (S)

The President: We need to take a look at that. We shouldn't have made promises if we couldn't fulfill them. (S)

President Putin: It will hurt the space program. On Iran, we won't move forward on our project, unless Iran signs the spent-fuel return agreement. They have said they will, but they are trying to avoid the issue. But our position remains solid. First, I said no deliveries until you sign. Second, you need to put all nuclear programs under IAEA safeguards. And third, our position is closer to the United States, than it is to the EU's. We insist on the Iranians foregoing work on the nuclear fuel cycle, even if they legally have a right to it. We must convince them not to do that. (S)

The President: Thanks. (U)

President Putin: If we can fix Iran, then we can fix space.
(S)

National Security Advisor Rice: Iran is a problem on non-proliferation. (S)

Secretary Card: The problem with space is that there is no other provider besides the Russians at this point. (S)

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President Putin: But we are doing this on our own now. (S)

Secretary Card: I will look into it. (U)

The President: We will look into it. What else do we have to discuss? (U)

President Putin: Military to military cooperation. We need to find a way to work on missile defense. We need to conclude an intergovernmental agreement on defense technology. (S)

The President: Sergey Ivanov and Don Rumsfeld have been talking about that. (S)

President Putin: But we need an agreement. Your people go from institute to institute, enterprise to enterprise, and get what they need. We need a package deal to structure our cooperation. (S)

The President: I'm not sure what that means. Are you worried about industrial spies? (S)

President Putin: No, it's not about spies or espionage. It's just that your people know what they want. They know where to find it. They go from institute to institute and they get all this information for free. So we need a more structured process. One more thing on military-to-military cooperation. We are prepared to participate in the exercise in the North Atlantic. (S)

The President: That would be fine. (U)

President Putin: In the fall. (U)

The President: It's a good idea. (U)

National Security Advisor Rice: Rumsfeld talked to Sergey Ivanov about it. We'll work on it. (S)

The President: How about Kim? Are we making progress? (S)

President Putin: Yes. I might meet with him in the fall. If it happens, I'll try to convince him on the need to move forward. He understands the need to change, but he doesn't know how or what to do. If we can instill in him the idea that he is not in danger, that would provide him an argument to do something. (S)

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The President: He'll say, "If we didn't have nuclear weapons, the United States would invade." That makes no sense. Why would we want to invade? (S)

President Putin: You said there was no need to invade Iraq, and then you did. (S)

The President: What if there was a U.N. Security Council resolution? (S)

President Putin: He doesn't read the Security Council any better than you do. We need to make him feel more comfortable. (S)

The President: He says the United States will invade. We have already told him we won't. (S)

President Putin: I don't understand why you don't talk to him directly. (S)

The President: The last time we did that, he lied. So it's better to have five voices. We need to get all five to say the same thing, so he can't lie, the way he did to Clinton. (S)

President Putin: He told Clinton he had nuclear weapons. He told me he told that to Clinton. (S)

The President: Well, Clinton didn't tell anyone. (S)

President Putin: He had to attend to more serious things. Well, now we have covered almost everything. (S)

The President: We need to advance strategic dialogue at all levels. (S)

President Putin: Agreed. Why don't we personally participate in the naval exercise in the North Atlantic. It would make a great picture. (S)

The President: That would be interesting. But I won't have the time. I'll be out campaigning. (S)

President Putin: But it wouldn't hurt the campaign. You could always say that you had to devote time to affairs of state and could not afford to waste time chasing votes. (S)

The President: It doesn't work that way here. Anything else?

(S)

National Security Advisor Rice: PSI. (U)

President Putin: We will also take part in patrolling the Mediterranean. (S)

National Security Advisor Rice: We also need to continue to work on liability issues. It's critical to the Global Partnership. (S)

The President: What's the problem? (U)

President Putin: Kislyak can explain. (S)

Deputy Foreign Minister Kislyak: We have signed agreements on liability protections with all of the G-8 except the United States. We have suggested negotiations to the United States. But the United States' position was that it would not talk until the Russians had ratified the 1992 umbrella agreement. Now we have put it on the Checklist, and Kislyak and Bolton are charged with looking into this issue. This is a good sign. (S)

National Security Advisor Rice: This concerns plutonium disposition. We are under time pressure. This is a big deal.

(S)

President Putin: I hope they will make progress. (S)

National Security Advisor Rice: It's a complicated issue. It concerns coverage for U.S. employees, workers. (S)

The President: You and Bolton are discussing this? (S)

Deputy Foreign Minister Kislyak: Not yet. The United States wants us to ratify the CTR agreement in the G-8 framework. That's not acceptable to us. I'll give you an example. Under the CTR arrangements, not only U.S. officials, but also contractors, sub-contractors, and sub-sub-contractors are freed of all responsibility for any accidents. With other countries, we have agreed on who will take responsibility, but we haven't with the United States. Suppose there was a terrorist or a deliberate act of sabotage. Why shouldn't these people be held liable? Since 1992, we have concluded agreements on different terms, along the lines of those we have signed with other G-8

countries. And we have even signed some agreements with the United States that do not have CTR-like provisions. Only today do we have an instruction to work on this issue. (S)

National Security Advisor Rice: We shouldn't underestimate the Congressional problem. We need to make sure that all our private contractors have the same protections. We need an agreement so that we can move forward on plutonium disposition. (S)

President Putin: On WTO, we need to coordinate our positions. (S)

The President: I'm mindful of the deal you cut with the EU. But we're not going to join Kyoto. (S)

President Putin: This is not about a deal. Everyone is interested in Russia's joining the WTO. (S)

The President: What's the problem? (U)

National Security Advisor Rice: The biggest problem is IPR, the absence of prosecution of those engaged in piracy. If this is not stopped, it will produce action against Russia under our system. (S)

President Putin: Condi has a point. We have started to work on this matter, and we intend to build on our effort. We will work on it. (S)

The President: Russia's being in WTO will be great. (S)

President Putin: I spent a lot of time persuading the public that we need to enter the WTO. Many are concerned that our economy is not very competitive. (S)

The President: But it's getting better. (U)

President Putin: But many problems remain. Our industry is not energy-efficient. (S)

The President: I have a friend in a law firm, which has an office in Moscow. He tells me the smartest people in that office in Moscow are Russians. (S)

President Putin: They're still hungry, so they work well. (S)

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(The President: Is it time to bring the press in? Okay , we'll both say something, but no questions. (U)

: -- End of Conversation --